



## FINANCIAL DOWNTURN BRINGS CHANGES

Financial crisis still is and will long be at the core of public and private discussions in all countries around the world. The matter of huge interest is not only the measures taken to mitigate the consequences of the global economic downturn. The differences in countries' responses can not be left out of consideration. Whilst free market states declare an end to the uncontrolled capitalism and increase the powers of state to intervene into the private sector, countries having more or less socialist model of economy proclaim liberalisation. The efforts of Belarusian authorities to "liberalise" its economic relations are analyzed in the article *Liberalisation in Belarus: Plan 52*.

Whatever limited and inconsistent the analyzed plan is, it evokes such questions as how far this liberalisation eventually may go and how it would

influence the political system of the country and its social structure as a whole. Not less important is how the nongovernmental organizations, including the research centres, will use this "liberalisation" to their own advantage. The answers to these questions will show whether the situation of Belarusian think tanks as presented in the article *Experts and the Problem of Demand* will change.

The present issue does not aim at answering the above mentioned questions. The current articles are material for discussions. Some of the discussions may materialize in creative initiatives and projects. Therefore in the annex of this issue we present you the information about Belarusian think tanks that can be your guide for your future engagement in Belarus.

*Julija Narkeviciute, Editor*

## LIBERALISATION IN BELARUS: PLAN NO. 52

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***As the external demand for Belarusian goods goes down and the national currency depreciates, the government needs to act decisively to carry out market-oriented economic reforms. However, the Belarusian government appears reluctant to take radical steps for fear that liberalisation may weaken its grip on power.***

On January 16<sup>th</sup> President Lukashenka signed Decree No. 1 which simplified business start-up and liquidation procedures. On the same day, the government unveiled an economic liberalisation plan. The plan lists 52 measures to be taken in 12 areas. In particular, it provides for streamlining business registration procedures, removing bureaucratic barriers to business and easing certification formalities. The plan also envisages the following steps: simplification of the tax system and tax cuts, simpler rules regarding space rent, auctions, competitive tendering and privately-owned stores, catering establishments and hairdressing salons, improvements to customs, property and

anti-monopoly regulations, rules governing investment, prices, goods certification, fire safety and the financial market as well as steps to promote self-employment and job creation. Under the plan, exporters are to be allowed to use foreign cash on their accounts to make advance payments for raw materials and components they use for manufacturing goods.

In principle, any move towards lifting economic restrictions and expanding the role of the market should be welcome. However, a closer look at the recently unveiled liberalisation plan reveals that the envisaged measures could hardly qualify for real liberalisation. For instance, under the new plan, entrepreneurs will be required to do less paperwork, the sanitary oversight procedures for companies will be cut down from 17 to 8, the validity of the state hygiene certificate will be extended up to 5 years and the application consideration period for certification of services will be reduced to 5 days. Along with the aforementioned decree on the simplification of business registration and closing down procedures, these measures are presented as the ones "aimed at providing a legislative framework for a simpler and

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**Even though the loans from the IMF and Russia create a feeling of security, there is no doubt that today Belarus faces a severe economic crisis as it has a huge trade deficit and high inflation.**

a more balanced running of business.”<sup>1</sup> However, the registration and liquidation are the first and the last stages of business existence, and between them Belarusian entrepreneurs have to overcome a whole range of obstacles, such as the impossibility to set prices for goods and services they produce or to pay salaries they deem appropriate to their employees – these issues are still regulated by the state. At the same time, problems in the sphere of ownership rights and exchange restrictions remain acute. Thus the liberalisation as promoted by the Belarusian government presently emerges as a series of auxiliary measures.

The essence of liberalisation lies in the reduction of state control over the economy and the transfer of those functions to the market, which is a system of self-regulation, whereby price “regulates” both the producer and the consumer. Therefore liberalisation does not appear possible if prices are not set free. Yet, the plan stipulates the “expansion of application of free prices, tariffs and base rates” but speaks nowhere about enterprises setting their own prices based on real costs of production. The subsequent efforts of the government to prevent, by means of administrative measures, prices from increasing after the devaluation of the national currency in early January and to inspect companies that “unfoundedly raised prices” are obvious moves in the opposite direction from price liberalisation.

In other words, Belarus faces a situation when some of the government’s decisions are inconsistent with its declared intentions and appear unsuitable for carrying out a market-oriented reform. If, on the one hand, the government proposes to cut taxes and declares a six-month moratorium on tax raids, then on the other, it adopts an import-substitution programme prescribing to state enterprises what products they are supposed to manufacture and orders banks to provide funds for state programmes. Such incoherent decisions raise doubts as to the seriousness of the government’s intentions to press ahead with the economic liberalisation and looks more like a selective approach to please international organisations on which the government has to rely for financial loans, such as, for example, the IMF, which recommended promoting private business among other measures.

Indeed the global financial crisis has prompted the Belarusian government to think differently to the extent that it has realised that the long-cherished Belarusian social model fails to function in the new reality. It is no longer possible to live by five year plans, and the Russian subsidies have dried up. The prices for oil, petroleum products, fertilisers and chemicals are changing, while the demand for steel, trucks and tractors is going down. However, the government does not view economic liberalisation as part of its ideology, a way to gradually change the old social model, but rather as a tactical move prompted by circumstances and as a revamp of

the old system. In practical terms, economic liberalisation, according to the logic of the political leadership, should first of all serve to attract foreign investment, thereby giving the West a signal about Belarus’ readiness to follow the rules of the market economy. The second task of economic liberalisation, as seen by the government, is to create internal economic stimuli – the authorities hope that private business will save the Belarusian economy.

Indeed, small businesses play a great role during crises. The small business sector could be a safety cushion as it could satisfy part of the solvent demand, helping to reduce imports. In this way, problems such as the widening trade and current account deficit, the rising foreign debt and pressures on the national currency, can be avoided. But, in order to be capable of fulfilling these tasks, small business in Belarus should be given much greater liberties than the liberalisation plan envisages for it.

First of all, it is advisable that the share of small and medium enterprises rise to 50 – 70% from about 9% at present. It is then necessary to exempt the sector from taxes and price controls so that it builds up capital and grows. This would boost economic growth and help to raise living standards. At the same time, it is estimated that if the government launches a systemic reform, rebuilds confidence, guarantees ownership rights and allows businesses to buy state assets, up to \$8 billion could come from internal sources. Lifting price caps and liberalising the business climate would save another \$3 billion as many officials and enforcement agencies would be made redundant.

Even though the loans from the IMF and Russia create a feeling of security, there is no doubt that today Belarus faces a severe economic crisis as it has a huge trade deficit and high inflation. The crisis is attributable to internal causes in the first place and requires a radical change of the management model. The government needs to launch a comprehensive programme that should include measures to curb inflation, balance foreign trade, restructure the real economy by closing down unprofitable companies and bailing out selected businesses, and forestall job losses, including by promoting small businesses. However, such large-scale liberalisation requires political will. But economic changes may lead to the reconfiguration of the political system. The top Belarusian officials realise it and are afraid of it.

1 As stated by Deputy Economy Minister Andrey Tur at the session of the National Directors Club on January 16<sup>th</sup>.

## EXPERTS AND PROBLEMS OF DEMAND

*Anatol Pankovski, Nashe Mnenie*

Sociology of intellectuals and experts contains a constituent part, which P. Bourdieu defines as “the sphere of power”. This means, in particular, that it is difficult to characterize the producers of intellectual benefits and the benefits themselves without analyzing the problem of how the characteristics of expertise depend on the relations, which experts maintain with other “spheres” – the state, business, religion, etc. If those relations are restricted to the problems of “demand”, it becomes possible to understand some characteristics of “supply”. Thus, we come to the “customer” problem, leaving aside other important factors operating in different “expert” segments.

*State* is a peculiar customer of expert services in the sense that State idea produces minds structured by the State – minds, which, in their turn, are conducive to the existence of the State idea itself. If we proceed from the assumption that, in the perspective of the State idea, the basic functions of social sciences are classification, prognosis and legitimization, it is not difficult to understand the success of such professions as “state management”, “analysis of public opinion” and “marketing research”.

Recently, we are witnesses of a radical decrease of the Belarusian state demand for expertise. In this respect the memorandum, which was “channeled” to the web-resource the “Belarusian Partisan” in November 2007 by the head of the information-analytical center (IAC) under the administration of the President of Belarus Nina Shpak, is quite illustrative. The goal of the memorandum was in principle an attempt to increase the financing, to raise the prestige and status quo of the IAC. In this connection it may be remembered that the Institute of Political and Social Research, which was headed by N. Shpak at some definite moment was reorganized into the Information–Analytical Centre whereby its functions, financing and staff were cut. Suppose we add to the given example an intricate story of the “reformation” of the National Academy of Sciences of Belarus, and then the process of the narrowing down of the demand (as well as deterioration of its quality) for expert output on the part of the state takes manifest contours.

Demand for expertise on the part of sundry *business structures* and those of the *civic society* in Belarus is invariably minimal. On the one hand, this may be accounted for the weakness of the structures themselves (i.e. their “morphological” simplicity against the organizational complexity and, as a result, poor contractual power). On the other hand, it can be explained by the simple circumstance that the state strives to monopolize the production of intellectual output in the same

way as it does in respect of medicine, education and other “gratuitous” benefits.

*Political parties* maintain rather restricted and modest relations with experts in Belarus although it may seem otherwise. As a matter of fact, experts and intellectuals are almost unnecessary for politicians. Parties’ and political movements’ demand is limited to the surveys of the public opinion – especially to that part of the indices, which show support in the situation of imaginary elections. From time to time party activists invite independent experts to discuss some issues, extremely seldom – to the “committees of wise men” of the political parties to work out strategic plans. These interactions, however, are neither stable, nor systematic.

First, the above mentioned “committees of wise men” are rather secretive structures wherein the presence of strangers is usually interpreted rather as an extraordinary event than a rule. Second, parties have scanty resources to remunerate the work of experts and so far they are not prepared to remunerate the expert endeavors directed towards the enlargement of the resource basis. Third, in the period of the last 10-12 years the process of the de-professionalization of politicians is taking place and the latter are gradually turning into the competitors of experts – i.e. experts of “democratic process”. Finally, the fourth, under Belarusian conditions parties are passive participants of the political process, they have long-term strategies, that is why commissioning addressed to the community of experts in the near foreseeable future will be of a strictly limited character.

*Mass media* play a twofold role in the life of expert communities. On the one hand, they provide a considerable part of the means of existence for the independent experts and are a stable commissioner of the expert output which is called “expert opinions”. On the other hand, this commissioning is completely extraordinary and stems from the very nature of mass media, for which the fundamental factor of existence is “genre” in the sense of D. McQuail (i.e. the format) and sensational novelty in the understanding of N. Luhmann and P. Bourdieu. Thus the mass media imposes certain restrictions on the activities of experts, restrictions, which in the full sense of the word mean de-professionalization of experts and intellectuals.

*Foreign donors* (public and state funds) support the Belarusian expertise and keep it “on the surface”. However, directly or indirectly, they contribute to the formation of cartels or groups within the independent community of experts and the result of this quite often is the production of benefits related to small groups and concomitant disappearance of stimuli for the production of public benefits, related to the development of the whole branch of

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scientific production or its concrete segment. The result of the respective “commissioning”: relatively small amount of effort is devoted to the research itself in comparison to the efforts directed to the supervision of intermediaries, organization of meetings, receptions, etc., which more often than not are conducive to the consolidation of certain rental privileges.

Demand that is made by groups or agents is not an invariable value in the sense of the form, scope and content, it is only a result of the certain combination of factors, or, to be more exact, the result of the negotiation process between experts and donors on the one hand, as well as experts and target groups (audience) – on the other. In the same way community of experts might possess the contractual power even to influence the state – in the long run.

The second, not less important issue, which is usually neglected while deliberating the problem of commissioning, is the commissioning by *experts* themselves. True, the scientific specialization, which produces experts per se, i.e. professionals in a certain sphere of knowledge, must at the same time produce a mutual need of professionals towards each other.

Present level of experts' interest in the result of the work of each other is higher than two-three years ago although even this level fails to be sufficient. That insufficiency- apart from other things – is a result of a particular system of stimuli, which are oriented for the most part to the production of cartel benefits and, accordingly, reproduction of rather closed expert discourses. The experience prompts that where stimuli are insufficient they have to be formed artificially.

## LIST OF BELARUSIAN RESEARCH CENTRES<sup>2</sup>

### RESEARCH CENTRE INSTITUTE OF PRIVATIZATION AND MANAGEMENT (IPM)

**Sphere of Expertise:** Research Centre IPM facilitates a dialogue on the issues of economic development of the country with civil society structures and state organizations; it provides an information and analytical support to Belarusian and foreign companies and to international organizations operating in Belarus

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Anastasiya Glambotskaya, economist, expert on small business and foreign trade

Dmitriy Kruk, economist, expert on financial sector

Elena Rakova, economist, expert on energy market and small business

Gleb Shymanovich, economist, expert on infrastructure

Kirill Gaiduk, expert on labour market and social issues

### BELARUSIAN INSTITUTE FOR STRATEGIC STUDIES (BISS)

**Sphere of Expertise:** a platform for a dialogue inside the Belarusian analytical community and between the expert community, the society, and the international community

**Website:** <http://www.belinstitute.eu/>

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Ekaterina Glod, analyst, project manager

Ludmila Bertosh, assistant

### LABORATORY OF AXIOMETRIC STUDIES NOVAK

**Sphere of expertise:** social research in the spheres of media, marketing and public opinion polls

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## ANALYTICAL CENTRE STRATEGY

**Sphere of Expertise:** analysis of transformation processes in the Belarusian society and economy, study of relations between Belarus and its neighbour countries, research on the role and functions of the public sector and mechanisms of interrelation with the state in a transitional country, comparative analysis of macro and microeconomic situation in Belarus, research on European security system

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*Valery Karbalevich*, expert, head of the project "Regional security", Ph.D. in history

*Alexei Tvorogov*, head of computer and design department, Master in economics

## MISES CENTRE (FOUNDED AS A SUBDIVISION OF STRATEGY)

**Sphere of Expertise:** analysis of economics and economic policy of Belarus, expertise of Austrian school of economics

**Website:** <http://liberty-belarus.info/>

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**Contact person:** *Yaroslav Romanchuk*, author and leader of the project, expert on economic policy

## INDEPENDENT INSTITUTE OF SOCIO-ECONOMIC AND POLITICAL STUDIES (IISEPS)

**Sphere of expertise:** study socio-economic and political process of transition from totalitarianism to democracy and active promotion of values and principles of liberalism; study of public opinion

**Main activities:** research in sociology, economics and political science, consulting, organisation of conferences and seminars, publishing and dissemination of information-analytical materials, professional training

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*Sergey Nikoliuk* – expert on political science

## HTA-CSI (unregistered think tank *Humanitarian Techniques Agency* together with non-governmental organization *Centre for Social Innovations*)

**Sphere of Expertise:** cultural and education politics, sociology, political analysis, methodology (system-and-thinking approach methodology)

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